

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7012

BILL NUMBER: HB 1916

DATE PREPARED: Jan 16, 1999

BILL AMENDED:

SUBJECT: State spending cap.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a control on state expenditures based on the change in gross Indiana nonfarm personal income as reported by the United States Department of Commerce, Bureau of Economic Analysis. The bill requires the Budget Agency to determine and publish each even-numbered year the Indiana nonfarm personal income growth index (the IPI growth index) in the Indiana Register. The bill also provides for emergency expenditures and provides for mandatory reductions in expenditures.

Effective Date: Upon passage.

Explanation of State Expenditures: This bill requires the Budget Agency to determine the Indiana nonfarm personal income (IPI) growth index in each even-numbered year. The IPI growth index is defined as the cumulative growth in Indiana nonfarm personal income since the base year using the average annual change as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. The Budget Agency is to publish this index in the Indiana Register not later than November 1 of each even number year. Based on the December 17, 1998 Revenue Forecast, Indiana IPI is expected to grow at 2.8% in FY 99, 4.2% in FY 2000 and 5.4% in FY 2001.

This bill defines controlled state funds as a fund that receives one of the following taxes:

- (1) Alcoholic beverage taxes under IC 7.1-4.
- (2) Gaming card excise tax under IC 4-32-15-1.
- (3) Cigarette and tobacco products tax under IC 6-7-2.
- (4) Controlled substance excise tax under IC 6-7-3.
- (5) Gross income tax under IC 6-2.1.
- (6) Adjusted gross income tax under IC 6-3 and IC 6-3.1.
- (7) Supplemental corporate net income tax under IC 6-3-8.
- (8) Financial institutions tax under IC 6-5.5.

- (9) Gasoline tax under IC 6-6-1.1.
- (10) Special fuel tax under IC 6-6-2.1.
- (11) Motor carrier fuel tax under IC 6-6-4.1.
- (12) Motor fuel inventory tax under IC 6-6-1.1-209.
- (13) Motor carrier surcharge tax under IC 6-6-4.1-4.5.
- (14) Hazardous waste disposal tax under IC 6-6-6.6.
- (15) Insurance tax under IC 27-1-18-2.
- (16) Fire insurance tax under IC 22-12-6-5.
- (17) Petroleum severance tax under IC 6-8-1.
- (18) Pari-mutuel admissions tax under IC 4-31-9-5.
- (19) Pari-mutuel satellite facility tax under IC 4-31-9-9.
- (20) Pari-mutuel wagering tax under IC 4-31-9-3.
- (21) Riverboat admissions tax under IC 4-33-12.
- (22) Riverboat wagering tax under IC 4-33-13.
- (23) Retail and use taxes under IC 6-2.5.
- (24) Property taxes under IC 6-1.1.

The bill states that the General Assembly may not appropriate and Budget Agency may not allot more expenditures in a state fiscal year than the base year spending of the controlled state funds adjusted by the IPI growth. The bill allows an increase in the spending cap, other than by the IPI index, if at least one of the following occurs: 1) a spending responsibility has shifted from another level of government to the state; 2) a spending responsibility has shifted from a fund not limited by this chapter to a limited fund; or 3) there has been an expansion of state services and state spending and a tax increase has been dedicated to these services. The increase in the spending cap requires approval of two-thirds majority of both House and Senate.

The bill also sets out procedures for the reduction of the state spending cap under certain conditions.

This bill affects appropriations and allotments for fiscal years beginning FY 2000. The impact of state spending is indeterminable and subject to legislative, executive and judicial actions.

Explanation of State Revenues:

Explanation of Local Expenditures: Distribution of state revenue to local units of government are dependent on the disposition of state appropriations.

Explanation of Local Revenues:

State Agencies Affected: All; State Budget Agency, General Assembly.

Local Agencies Affected: All.

Information Sources: State Budget Agency; December 17, 1998 Revenue Forecast.